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SIPDIS

DEPT FOR EUR/SCE JISMAIL, TREASURY FOR VIMAL ATUKORALA  
SOFIA FOR P.ROBERTS

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TAGS: [EFIN](#) [ECON](#) [KCRM](#) [PREL](#) [AL](#)  
SUBJECT: ALBANIA'S INSURANCE PRIVATIZATION: DIRTY MONEY?

Classified By: A/DCM Paul Poletes, reasons 1.4 (b), (d)

Summary  
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¶1. (C) Dallas-based American Reserve Life Insurance Company (ARL) on December 9 was awarded the tender for the GOA's 61 percent of Albanian insurance company INSIG for 25 million euro. The remaining 39 percent is owned by EBRD and IFC. The Ministry of Finance organized the tender, which to many observers seemed less transparent than most. The MOF refused to release the names of interested companies prior to the bid opening, as has been the practice with past tenders. When the MOF awarded the tender to ARL, open-source inquiries revealed that ARL and several U.S. interlocking insurance companies are owned by Texas businessman Gene Phillips and run by members of his family. Phillips has been implicated in numerous fraud and bribery schemes and was arrested by the FBI on racketeering charges in 2001, but later acquitted. According to Post sources, Phillips and business associate Ron Finley have links to Bulgarian crime organization Multigroup. Finley recently bought controlling interest in Albania's digital TV company DigitAlb and both Finley and Phillips are behind CableTel, a large cable TV company operating in Bulgaria, Macedonia, and Kosovo. End Summary.

Note: Please see Post's classified Intellipedia site for background information and open-source URLs:  
[http://www.intelink.sgov.gov/wiki/Albanian Insurance Company INSIG Sold To American Reserve Life Insurance](http://www.intelink.sgov.gov/wiki/Albanian_Insurance_Company_INSIG_Sold_To_American_Reserve_Life_Insurance)

Albania's Last Privatization  
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¶2. (U) On December 9, Albania marked the end of an era. The GOA sold its last state-owned company, insurance provider INSIG, to Dallas-based American Reserve Life Insurance Company (ARL) for 25 million euro. INSIG was established in 1991 as a state-owned monopoly, but lost much of its business when the GOA opened the insurance sector to private companies in 1999. INSIG has life and non-life operations in Albania, Kosovo, and Macedonia. 2007 profits were 1.8 million euro on revenues of 17 million euro. Reported assets totaled 50 million euro.

Shady Money?  
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¶3. (C) While there have been many rumors of Albania's organized crime (OC) gangs laundering money by investing it in construction and other infrastructure projects, it is reasonable to assume that OC gangs from other countries could also find Albanian investments lucrative, particularly given allegations of pervasive corruption of government officials.

¶4. (C) The INSIG tender process seemed less transparent than most. The MOF refused to answer our questions concerning

which companies had expressed an interest in bidding and simply announced the winning bidder. Apparently, 12 companies expressed interest initially while only three - a Slovenian company, a German company and ARL - submitted bids.

On the surface, everything seemed reasonable and ARL's bid was considered fair by industry experts. However, a check on ARL using public sources turned up some disturbing facts. ARL is part of a network of insurance companies owned by Dallas businessman Gene Phillips. Phillips has had many encounters with law enforcement agencies, including an arrest in 2001 by the FBI on racketeering charges, although he was acquitted two years later. He was also linked to Texas insurance commissioner Carroll Fisher, now serving time in jail for taking bribes. Fisher allegedly received money and property from Phillips.

#### Bad Company

15. (C) One of Phillips' business associates was Ron Finley, who, with brother Jeffery owned Finley Equities. According to Philip Bay, president of AmCham of Albania and regional director of U.S. real estate firm Colliers, the Finleys were associated with Bulgarian OC gang Multigroup, with which Bay had some encounters when he was working in Sofia. The Finleys own CableTel, a large cable operator in Bulgaria, Macedonia, and Kosovo, in which Phillips, through his maze of companies, is also a shareholder. In October 2008, CableTel bought Albanian digital TV company DigitAlb.

#### EBRD Is Concerned

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16. (C) EBRD and IFC bought 39 percent of INSIG in 2004, intending to sell their shares to the new owner or exercise their put options to sell the shares back to the GOA. EBRD Country Director Dan Berg told Econoff that he wanted to do additional investigation into ARL's background, but EBRD headquarters apparently thought that was not necessary. Berg has asked his headquarters to look into ARL and will decide what to do based on that information. Berg said EBRD has the right to disqualify ARL if enough negative information is discovered.

#### Comment

17. (C) How much OC money has fueled Albania's economic growth is impossible to estimate, but what we suspect about ARL could well be just the tip of the iceberg. Albania's vast and largely unexploited tourist potential will likely attract not just tourists, but also money launderers and other shady businesspeople, underlining yet again the need for continued U.S. and EU assistance to Albania's fledgling oversight bodies.  
WITHERS